UNITED
NATIONS

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Secretariat

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14 January 1991

INFORMATION CIRCULAR

To: Members of the staff who are liable to pay income taxes to United States tax authorities on United Nations salaries and emoluments

From: The Controller

Subject: PAYMENT OF INCOME TAXES*

Note

The present circular contains important information about the reimbursement of income tax by the United Nations. Read it carefully and be sure that anybody you ask to assist you in the preparation of your tax returns reads it also. You will be required to certify as to the accuracy of certain statements made in your request for reimbursement and to give consent to the Organization to obtain certain verifications directly from the Internal Revenue Service. This is explained fully in paragraphs 5 and 6 below.

BASIS OF TAX REIMBURSEMENT. Your attention is drawn in particular to paragraph 26, which explains the computation of the reimbursement, and to paragraph 10, which defines your responsibility for informing the Organization of any change in your tax liability.

MINIMIZING OF TAX. You are required to make maximum use of all deductions available to you and to certify to this effect (see paras. 7-9).

TWO-PARTY CHEQUES. Reimbursement cheques will normally be made payable jointly to you and the taxing authority. They must be endorsed by you and transmitted to the taxing authority. Two-party cheques may not be negotiated without both parties' endorsements (see para. 12).

CHANGES IN 1990 TAXES. There are significant changes affecting self-employment tax which all United Nations staff members who are United States citizens resident in the United States must pay (see paras. 26, 49 and 50).

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* Personnel Manual index No. 3070.

DEADLINES FOR SUBMISSION. Requests for reimbursement of 1990 taxes must be submitted:

Staff serving in the United States:	by 1 March 1991
Staff serving elsewhere:	by 3 April 1991

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I. UNITED NATIONS POLICY AND PROCEDURES ON INCOME TAX REIMBURSEMENT

A. Rationale for reimbursement of taxes levied on United Nations income

1. Most Member States, by acceding to section 18(b) of the Convention on the Privileges and Immunities of the United Nations, have exempted United Nations staff members from national taxation of their official emoluments. A few Member States, however, have not done so in respect of their citizens or permanent residents, and these staff members may thus be required to pay national taxes on their United Nations income. In the interests of equity, the General Assembly therefore established a system to reimburse income taxes to those staff members of the United Nations who are required to pay taxes in respect of salaries or other emoluments which they receive from the United Nations.

2. The purpose of the reimbursement system is to place United Nations staff members subject to taxation in the position they would have been in if their official emoluments were not taxed. Hence, it is intended neither to provide a benefit, nor to place the staff member at a disadvantage, in relation to other United Nations staff members who are not required to pay taxes to a Member State on their United Nations emoluments. It is for this reason that United Nations staff regulation 3.3(f)(i) stipulates that in no case shall the reimbursement by the United Nations exceed the final income taxes actually paid and payable in respect of a staff member's United Nations income.

3. A staff member who is a United States citizen or who has signed the waiver of immunities is, as a rule, subject to taxation on his or her earnings from the United Nations. IT IS THE STAFF MEMBER'S PERSONAL RESPONSIBILITY TO ASCERTAIN AND MEET HIS OR HER LIABILITIES, IF ANY, ARISING UNDER UNITED STATES FEDERAL, STATE AND MUNICIPAL INCOME TAX LAWS.

4. A staff member who (a) is liable for such taxes for 1990 and/or 1991; (b) is eligible for reimbursement of such taxes under staff regulation 3.3(f); and (c) wishes to claim reimbursement from the United Nations, may apply for reimbursement of such taxes in accordance with the procedures set out in the present circular.

B. Requirements for applications for reimbursement or for advances to pay estimated taxes

5. Staff members applying for reimbursement of federal, state and/or municipal taxes and/or for advances to pay estimated taxes must submit a duly signed and complete application. A complete application consists of three elements: (a) a Request for settlement of income tax and/or a request for cheques to pay estimated income taxes (United Nations form F.65); (b) a consent for the Internal Revenue Service (IRS) to disclose tax return information to the United Nations (United Nations form F.243); and (c) true and complete copies of the relevant tax returns and supporting information for the year for which reimbursement is

requested. If an application for reimbursement of taxes is for states other than New York or New Jersey, or for municipal authorities other than New York City, the relevant instructions issued by the taxing authority must be attached to the application. A REQUEST FOR REIMBURSEMENT OR FOR ADVANCES WILL BE CONSIDERED AS INCOMPLETE IF NOT ACCOMPANIED BY PROPERLY COMPLETED FORMS F.65 AND F.243 AND WILL THEREFORE BE RETURNED TO THE STAFF MEMBER CONCERNED.

6. In signing form F.65, staff members certify and undertake certain obligations as a condition of receiving reimbursements and/or advances. Failure to adhere to these obligations will result in: (a) suspension of issuance of further tax reimbursement cheques; (b) recovery of amounts already advanced and/or paid, and (c) possible disciplinary action.

7. In order to minimize the burden on the Tax Equalization Fund, of which the Secretary-General is the trustee, and on voluntary funds from which tax reimbursements may be made, a staff member claiming reimbursement is required to make maximum use of all deductions and exemptions to minimize his or her tax liability. In claiming a reimbursement from the United Nations, a staff member, inter alia, certifies and agrees that he or she will do so on the request for settlement of income taxes (form F.65).

8. Staff members are required to itemize deductions if these would exceed the standard deductions allowable. Staff members should refer to the instructions issued by the relevant income tax authorities for examples of the deductions allowed (see also paras. 25, 75 and 76 below). Where a staff member does not itemize deductions but it is determined by the United Nations that for the staff member to itemize deductions would result in a lower tax, tax returns will be returned to the staff member as incomplete. The staff member will therefore be required to resubmit his or her claim with an itemized deduction schedule. Failure to comply with the foregoing requirement will result in a rejection of the application for reimbursement.

9. The Tax Reform Act of 1986 and the Revenue Act of 1987 have changed some of the considerations in deciding whether to file a joint or a separate income tax return. Many taxpayers who have filed joint returns in the past may wish to calculate their tax on a married/filing separate basis to determine which status would result in the lower tax liability. The filing of joint returns may still result in a lower tax liability in the majority of cases. As in the past, staff members should select the method which would result in the minimum tax liability. Furthermore, staff members certify, on form F.65, that they have minimized their income tax and have filed joint returns when such would result in lower taxes. In this connection, it should be noted that changes in New York State income tax laws now require that taxpayers who file joint federal returns must, with very few exceptions, file joint New York State returns. The 1976 Tax Reform Act, permitting the filing of joint returns by citizens and resident aliens with spouses who are non-resident aliens, is still applicable. The United Nations may require staff members who do not file joint returns, although eligible to do so, to provide a written explanation as to the reason for not doing so, together with a copy of the spouse's tax return, where applicable, in order to substantiate the certifications made in Form F.65.

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10. IT IS THE RESPONSIBILITY OF EACH STAFF MEMBER, IN ACCORDANCE WITH THE CERTIFICATION GIVEN IN SIGNING FORM F.65, TO NOTIFY THE UNITED NATIONS PROMPTLY OF (a) ANY AMENDED RETURNS FILED SUBSEQUENT TO THE COPIES SUBMITTED TO THE UNITED NATIONS; AND (b) ANY INCREASE OR DECREASE IN THE STAFF MEMBER'S TAX LIABILITY THAT MIGHT REQUIRE ADJUSTMENT OF TAXES, WHETHER THAT CHANGE TAKES PLACE BEFORE OR AFTER THE RETURN IS FILED AND WHETHER OR NOT THAT CHANGE PERTAINS TO THE STAFF MEMBER'S INCOME DERIVED FROM THE UNITED NATIONS. Any change in income from non-United Nations sources, or in deductions from any source, will probably affect United Nations reimbursements. Consequently, any change in tax liability, whether or not a joint return is filed, must be reported to the United Nations.

11. As explained in circulars ST/IC/84/80 and ST/IC/87/64, staff members claiming reimbursement of United States income taxes are required to complete and sign, in addition to form F.65, "Request for settlement of income taxes", the attached United Nations form F.243, "Consent for the Internal Revenue Service to disclose tax return information to the United Nations". The form will be used by the United Nations to confirm with the Internal Revenue Service the data provided by staff members. The United Nations will assume the responsibility for any fees. Specific instructions for completing form F.243 for the tax year 1990 are given in paragraph 31 below.

C. Issuance of tax cheques by the United Nations

12. Cheques issued as the final settlement for federal, state or municipal income tax liabilities attributable to United Nations earnings and/or as advances to pay estimated taxes will normally be drawn to the order of the income tax authorities and the staff member concerned; exceptions to this arrangement will be made only if the staff member submits evidence that payment has already been made, in which case cheques will be made payable to the order of the staff member only. Cheques payable to a tax authority and a staff member MAY NOT BE NEGOTIATED without both parties' endorsements. Accordingly, it will be necessary for the staff member to endorse such cheques, thereby making them payable to the other payee. FAILURE TO ENDORSE AND FORWARD THESE CHEQUES PROMPTLY TO THE APPROPRIATE INCOME TAX AUTHORITIES MAY RESULT IN SUSPENSION OF ISSUANCE OF FURTHER CHEQUES OR REPLACEMENT CHEQUES, RECOVERY OF AMOUNTS ALREADY ADVANCED AND/OR PAID AND DISCIPLINARY ACTION. TAX REIMBURSEMENT CHEQUES WHICH ARE NOT ENDORSED AND FORWARDED PROMPTLY TO THE APPROPRIATE TAX AUTHORITY WILL BE CANCELLED. A REQUEST TO REISSUE SUCH CHEQUES WILL BE SUBJECT TO THE PROVISIONS OF STAFF RULE 103.15 (see also para. 17).

13. A staff member should keep a record of the number of each cheque received from the United Nations for tax purposes. Staff members wishing to obtain copies of cancelled cheques will be able to obtain them only by providing the United Nations with the proper cheque numbers. It is also advisable for the staff member to enter his or her Social Security number on each cheque to ensure that the cheque will be credited by the taxing authority to the proper account.

14. Staff members who expect to be on official travel or leave on the date that tax cheques are issued should make prior arrangements with their executive officer to have the cheques issued early and forwarded to them so that they can endorse and

send the cheques to the appropriate tax authorities before the date on which tax returns or estimated instalments are due.

D. Social Security numbers or taxpayer account numbers

15. The United States Internal Revenue Service, in connection with the operation of its automatic data processing programme, requires that taxpayers indicate their Social Security number on their tax return for use as a taxpayer account number. Under the Internal Revenue Code, a penalty may be imposed for failure to supply an account or identification number, unless the taxpayer can show that the failure was due to reasonable cause.

16. Staff members who are liable to pay United States federal income tax should obtain a Social Security or taxpayer account number, even if they are not citizens or if their United Nations earnings are not otherwise subject to Social Security coverage. If a number is needed, the staff member should file federal application form SS-5 with the local office of the Social Security Administration. If he or she has applied for but has not received a number by the due date for filing, he or she should file his or her return and enter "Applied for" in the space provided for the number. Missing or incorrect Social Security numbers may result in the taxing authority applying stringent penalties. Therefore, staff members are urged to apply for and/or to provide the Payroll Unit with their Social Security numbers. The Payroll Unit requests staff members, on an annual basis, to confirm or update the record of their Social Security number and address maintained by the Payroll Unit.

E. Limitation on retroactivity of claims for reimbursement of taxes

17. The reimbursement of income taxes will be deemed to be claimable by staff members on the last date on which their return for a particular year must be filed with the taxing authority, without any extension of time for filing other than the automatic extension for staff serving abroad. In accordance with staff rule 103.15, no claims for reimbursement of tax will be entertained beyond one year after that date, unless the United Nations accepts that there are extenuating circumstances. In such cases, a staff member may request that the time-limit in staff rule 103.15 be waived, supporting such a request by a written explanation of the delay and the circumstances that resulted in the failure to submit the claim for reimbursement within the prescribed period. Staff members will be required to submit sufficient documentary proof establishing their liabilities with the respective tax authorities.

F. Policy regarding interest and penalties imposed by taxing authorities

18. As the responsibility for filing complete, correct and timely tax returns is that of the individual taxpayer, the United Nations will not reimburse staff members for interest or penalties imposed by taxing authorities on their United

Nations earnings. There are three exceptions to this rule. The United Nations may reimburse interest and penalty charges which arise from: (a) delays which are acknowledged by the United Nations as being due to the Organization; (b) following written instructions of the United Nations or using the earnings data provided by the Organization; and (c) extensions for staff members serving the United Nations outside the United States (for further information on item (c), see paras. 54, 55 and 63).

G. Income tax assistance

19. Neither the Office of Programme Planning, Budget and Finance nor the Office of Legal Affairs is staffed to provide advice or assistance to staff members on tax matters other than in relation to United Nations earnings. Accordingly, should advice on other income or on the completion of income tax returns be needed, the staff member should consult government income tax authorities or other competent services.

II. PROCEDURES FOR REIMBURSEMENT OF FEDERAL, STATE AND MUNICIPAL INCOME TAXES FOR CALENDAR YEAR 1990

A. Statement of taxable earnings

20. Each staff member who, on the basis of information available to the Payroll Unit at Headquarters, may be subject to United States taxes, will receive a detailed statement of his or her United Nations earnings for 1990 on United Nations form F.42, "Statement of taxable earnings". The statements will be distributed by the end of January 1991.

21. A staff member: (a) who was payrolled at any time in 1990 by ECA, ECLAC, ESCAP, UNEP, UNCHS, UNOG, UNU, UNRWA or who served with any United Nations entities payrolled by UNIDO; and (b) who is required to file a United States federal income tax return, should obtain a statement of his or her United Nations earnings directly from the appropriate finance office. Except for staff of UNRWA and ESCAP, whose tax settlements are processed at the headquarters of those units, staff members obtaining statements of earnings from offices away from Headquarters should request that office to send a copy of such a statement to the Headquarters Payroll Unit.

22. Special attention is drawn to the format of the statement of taxable earnings. Staff members will note that it contains, on the lower part of the form, a printed statement which explains that, since remuneration from an international organization is not subject to withholding, his or her employer (the United Nations) is exempt from issuing a Wage and Tax Statement, Internal Revenue Service form W-2 form, per se. In order to provide equivalent information to the tax authorities, however, each staff member should sign and attach the United Nations statement of taxable earnings to the income tax return that he or she files with the appropriate taxing authorities, i.e., the top copy to the federal return (IRS form 1040), the second to the state return and the third to any municipal return. The fourth copy is for his or her own file.

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23. The following is an explanation of the items that will be shown in the statement of taxable earnings (F.42). Salary and emoluments include all earnings paid during the calendar year 1990. The amount of salary shown is the gross salary, i.e., salary before the deduction of staff assessment. The applicable detailed entries will show regular salary (gross), post adjustment, allowances, additional salary payments upon separation, and the taxable portion of partial or full lump-sum distributions received from the United Nations Joint Staff Pension Fund (see also paras. 67-69 below). The 1990 statements of taxable earnings will also include the following taxable income items:

(a) Travel on appointment;

(b) Assignment grant;

(c) Removal of household effects;

(d) Home leave travel;

(e) Education grant travel;

(f) Family visit travel;

(g) Travel on annual leave from designated duty stations;

(h) Rental subsidy.

Other items may also be included in the case of staff members who have separated from the Organization. The total of all items referred to in this paragraph is the amount that will be reported directly by the United Nations to the United States Internal Revenue Service and is the amount that should be reflected in the staff member's income tax returns.

24. Every possible effort will be made to ensure that all taxable income items have been included on the statement of taxable earnings. However, even if some items have been omitted, it remains the responsibility of the staff member to include all taxable items on his or her tax return and to inform the Headquarters Payroll Unit of the amount and date of any item omitted from a statement.

25. The amounts shown on the statements of taxable earnings are not reduced by allowable deductions. While all of the items listed in paragraph 23 above are taxable, several of them, in particular items (a), (b) and (c), might be reduced by expenses which are attributable to the income items. Staff members MUST take the maximum amount of permissible deductions against the taxable income items shown in paragraph 23 above. Information concerning deductions can be obtained from instruction pamphlets and forms issued by the United States Internal Revenue Service and/or state and local tax authorities.

B. Computation of the reimbursement

26. The method of computing the taxes payable on United Nations earnings, and thus, the amount which the United Nations will reimburse to a staff member, is as follows. For the calendar year 1990, as in previous years, the tax attributable to United Nations salary and emoluments is considered to be the difference between:

(a) the total tax payable for the year as shown in the copies of the tax return submitted by the staff member, with United Nations income (as shown on the statement of taxable earnings) included, and (b) the tax which would be payable if United Nations income were excluded. Both calculations use the actual deductions and exemptions claimed by the staff member on his or her tax return. This means that tax on outside income is a crucial factor in determining the share of total tax to be reimbursed by the United Nations. The deduction to income for self-employment tax (see para. 49) will be applied against United Nations income to the extent that this amount is attributable to United Nations income.

27. However, in making these calculations, deductions or credits available only to low-income taxpayers, such as the earned income credit under the Tax Reform Act of 1976, are not taken into consideration.

C. Office to which settlement claims are to be submitted

28. All staff members except those who are or were payrolled by UNRWA or ESCAP requesting reimbursement of federal, state and municipal income taxes for the calendar year 1990 should submit their completed applications to the Payroll Unit of the Office of Programme Planning, Budget and Finance, room S-1830, United Nations Headquarters. Staff members payrolled by UNRWA or ESCAP should submit their applications for reimbursement to their respective finance offices, which will process their applications locally.

D. Deadline for submission of settlement claims for 1990

29. All staff members serving in the United States should submit their completed applications for reimbursement as soon as possible after receipt of the statement of taxable earnings (F.42), but NOT LATER THAN 1 MARCH 1991. For the reasons given in paragraph 55 below, for staff members serving outside the United States, the deadline for submission of applications for reimbursement is 3 APRIL 1991.

30. Any staff member who received advances to pay estimated taxes for the tax year 1990 must submit a copy of his or her final tax returns for 1990, together with a request for final tax settlement (or balance) (form F.65) and form F.243, to the Payroll Unit. If a staff member does not submit these by 18 September 1991, the payments which have been made to him or her WILL BE RECOVERED FROM SALARY.

E. Completion of United Nations form F.243

31. As indicated in paragraph 5, all requests for reimbursement must include a properly completed form F.243 (attached). Staff members are required to complete all items of form F.243, as well as to sign and date the form. Staff members who did not receive a reimbursement from the United Nations in respect of 1989 and/or prior years may obtain, from the Payroll Unit, a copy of United Nations form F.243, to be completed for 1990 and any other years in which a reimbursement was received.

F. Incomplete or incorrect applications

32. The elements of a complete application are set out in paragraphs 5 and 49. An incomplete application will not be considered a valid request and will be returned to the applicant. In such cases, the date of submission will be the date of receipt of the corrected, complete return. The Payroll Unit will not complete forms or schedules for staff members.

33. If the Payroll Unit determines, in the course of processing a request for reimbursement, that an error has been made by the staff member in his or her tax return(s), it will issue to the staff member a written notice of corrections to be made to the tax return(s). Staff members are required to acknowledge receipt of the correction notification form, by signing and returning a copy of it to the Payroll Unit. Staff members are also required to make the indicated necessary changes on their tax returns and to submit copies of the corrected return(s) to the Payroll Unit, together with a certification that they have made the appropriate changes on the return(s) submitted to the tax authorities. The United Nations will not be responsible for any delays in the issuance of cheques occasioned by the requirements for return to, and resubmission by, the staff member. Staff members should not, however, rely on the Payroll Unit to detect errors; they remain fully responsible for filing correct returns with the tax authorities.

34. In instances where staff members have filed their returns with the tax authorities before receipt of a correction notification, they should submit appropriately amended returns to the tax authorities and copies thereof, as indicated above, to the Payroll Unit.

35. Failure by staff members to return complete and correct copies of tax returns to the Payroll Unit by 17 June 1991 (or the nearest quarterly deadline date for those submitting their returns after the deadline of 1 March 1991) will result in the suspension of future quarterly tax advance cheques and/or recovery of advances already paid.

G. Overpayment of tax advances

36. If it is determined, based on the final tax returns submitted with the request for reimbursement, that a staff member has received, from the United Nations, advances to pay estimated taxes which exceed his or her entitlement to tax reimbursement for that year, that excess amount will be applied by the United Nations towards the following year's estimated tax payments and such payments will be reduced accordingly. Where applicable, that amount is indicated on the transmittal note accompanying reimbursement and advance cheques. The excess amount will be deducted from the first quarterly advance cheque and, if necessary, from subsequent advance cheques. Any overpayment that is not recovered from estimated tax payments will be recovered from salary or final entitlements.

37. In such cases, staff members should request, on their current year's tax return, that any overpayment (refund due) pertaining to their United Nations earnings be applied to their next year's estimated taxes. In cases where an

overpayment (refund due) pertains to non-United Nations income (spouse's or other income), staff members may request that such amounts be refunded and may retain such amounts. Staff members who are uncertain whether an overpayment pertains to United Nations income or non-United Nations income may consult with the Payroll Unit, as discussed in paragraph 42.

H. Issuance of final 1990 tax payment cheques

38. As in the past, the distribution of the final tax payment cheques in respect of 1990 income taxes will be made on a staggered basis. Thus, the earlier a staff member submits a complete and correct application, the earlier his or her reimbursement cheques will be issued. Executive officers will be notified when cheques are ready for distribution. The final tax cheques for all claims submitted on or before 1 March 1991 will be issued by 8 April 1991.

39. In accordance with the procedure described in paragraph 12 above, at least two final settlement cheques will be issued for each staff member, one for federal income tax and Social Security, and the second for the combined New York State and New York City income taxes (or other state or municipal taxing authority). It may also be necessary to issue additional cheques to a staff member only, depending upon his/her non-United Nations taxable income, estimated tax payments made by him/her other than those advanced by the United Nations and other factors determining the respective liabilities of the United Nations and the staff member.

I. Timely filing of tax returns

40. If United Nations cheques are not received by 15 April 1991, a staff member should file his or her returns, on time, with the appropriate tax authorities. This will avoid the penalty for failure to file the tax return within the time prescribed by law. If the tax return is filed without total payment, however, the Internal Revenue Service and other tax authorities will levy a charge for the failure to pay the tax or portion thereof when due. The penalty for late payment, for federal and New York State taxes, is one half of 1 per cent of the amount of tax unpaid increasing to 1 per cent per month for each month beginning after the date of the levy.

41. In this connection, the staff member is responsible for his or her share of the tax due and any interest and penalty related thereto. If, despite compliance by the staff member with the procedures set out in this circular, the United Nations cheques were not received, relevant charges levied will be dealt with in accordance with the provisions of paragraph 18.

J. Inquiries and forms

42. In order to allow the Payroll Unit the maximum time in which to complete the processing of tax returns, inquiries will be received by the Payroll Unit only during the hours of 1.30 to 4.30 p.m. on Mondays, Wednesdays and Fridays from

1 February to 12 April 1991. These inquiries can be made by telephone (963-6393) or in person. During these hours a representative of the Payroll Unit will be available in room S-1800. Staff members are requested to limit the number of inquiries in order that optimum service may be provided to all.

43. Most forms required for filing federal, New York State and New York City returns are available in local banks and post offices. The Payroll Unit will attempt to obtain and maintain a supply in room S-1830 which will be available to staff members on a limited basis. Once the supply is exhausted, master copies will be available in the Payroll Unit from which staff members can make photocopies. However, some specialized forms may have to be obtained directly from the competent tax authorities.

III. ADVANCES FOR ESTIMATED FEDERAL, NEW YORK OR NEW JERSEY STATE AND NEW YORK CITY INCOME TAXES FOR CALENDAR YEAR 1991

44. A staff member who will be liable to pay federal, New York State, New Jersey State or New York City income taxes for 1991 is required to file, by 15 April 1991, a declaration of estimated tax on his or her estimated 1991 income, including salary and emoluments to be received from the United Nations.

45. Instructions regarding the filing of the declaration of estimated income tax, showing how and when payments are to be made, will be found on federal tax form 1040ES, New York State tax form IT2105 and New Jersey State tax form NJ 1040ES.

46. Staff members should be aware that, under the Tax Reform Act of 1986, they will be required to pay, as estimates of their 1991 federal tax, at least the lesser of (a) 100 per cent of their actual 1990 tax (including the self-employment Social Security tax) or (b) 90 per cent of their 1991 tax (including Social Security), in equal quarterly instalments, in order to avoid the penalty for underpayment of estimated taxes for 1991. IT IS THE RESPONSIBILITY OF STAFF MEMBERS TO INCLUDE ON THEIR ESTIMATED TAX FORMS ESTIMATES OF ADDITIONAL TAXABLE INCOME FROM SOURCES OTHER THAN THE UNITED NATIONS AND TO PAY THE ESTIMATED TAX DUE THEREON.

47. The United Nations is prepared to assist staff members to meet this obligation and to facilitate the payment of estimated taxes by issuing quarterly cheques to staff members, as described in paragraph 12, on request and under the conditions prescribed below:

(a) The request for cheques to pay 1991 estimated income taxes, which is on the reverse of the attached United Nations form F.65, should be completed at the same time as the request for the 1990 final tax payments;

(b) No cheques will be issued to pay 1991 estimated income taxes to any staff member who has received advances to pay 1990 estimated income tax but has not filed a completed tax form for that year. An exception to this rule may be made in cases where a staff member was transferred overseas during 1990, expects to qualify for exemption or special deductions, and has requested an extension of time for filing his or her tax return (see para. 60 below);

(c) The amounts of estimated tax cheques issued by the United Nations will be determined by the Office of Programme Planning, Budget and Finance and will normally be based on earnings received from the United Nations and on the amount of taxes paid on United Nations income for the full year 1990 plus the United Nations portion of the Social Security payment expected to be paid for 1991;

(d) The United Nations will not reimburse a staff member for interest or penalties imposed owing to failure to pay estimated taxes or to underpayment of estimated taxes except as specified in paragraph 18;

(e) The payments advanced during the year will be applied against the amount finally determined as reimbursable by the United Nations for the year 1991.

48. The estimated tax is payable to the taxing authorities in four quarterly instalments, on 15 April 1991, 17 June 1991, 16 September 1991 and 15 January 1992. Cheques for the first quarterly instalment of the 1991 taxes will be issued on 8 April 1991, and those for subsequent quarterly payments will be issued on 10 June 1991, 9 September 1991 and 8 January 1992.

IV. SOCIAL SECURITY TAXES

49. It is mandatory that all United States citizens report their self-employment tax. United States citizens (but not resident aliens who have signed a waiver of immunity) have Social Security coverage while employed by the United Nations and serving in the United States. For 1990, these citizens will be taxed as if they were self-employed at the rate of 15.30 per cent of an amount reflecting 92.35 per cent of income received from the United Nations. The maximum amount subject to self-employment tax is $51,300. In addition, a deduction of self-employment tax from taxable income is allowed. The amount of the deduction is one half of the self-employment tax reported on Schedule SE. This deduction is reported on line 25 of Internal Revenue Service form 1040 (see para. 26).

50. United States citizens serving abroad do not, except as indicated in paragraphs 65 to 66 below, have Social Security coverage, i.e., they are neither subject to the tax nor can they obtain coverage by voluntary payments.

51. An individual's estimated tax is defined as the sum of his or her estimated income tax and self-employment tax. This means that a United States citizen employed by the United Nations in the United States is required to pay his or her self-employment tax on a quarterly basis. The payment of any balance of the self-employment tax in respect of the year 1990 will be due on or before 15 April 1991 together with the federal income tax return. Schedule SE to IRS form 1040 must be filed to report the self-employment tax.

52. The General Assembly has approved payment of the difference between the amount of Social Security tax a staff member of United States nationality is required to pay as a United Nations employee and the amount he or she would have to pay as the employee of a taxable employer. For 1990, this payment will cover the difference between 15.30 per cent and 7.65 per cent of the income concerned. Hence, the

maximum amount payable by the United Nations will be $3,924.45 (7.65 per cent of $51,300). The maximum amount payable by the staff member will also be $3,924.45 (7.65 per cent of $51,300). In 1991, the self-employment rate will remain at 15.30 per cent but the taxable base will increase to $53,400. The United Nations portion of the tax will remain at 7.65 per cent and the staff member's portion will also remain at 7.65 per cent. The maximum amount payable by the United Nations and the staff member for 1991 will therefore be $4,085.10 (7.65 per cent of $53,400) each.

53. Application for payment should be made by completing the appropriate section of United Nations form F.65 and attaching a completed copy of federal tax schedule SE. The amount due from the United Nations in respect of self-employment tax is automatically included in the quarterly cheques issued by the United Nations for payment of estimated United States federal income tax.

V. SPECIAL PROVISIONS AND PROCEDURES APPLICABLE TO STAFF MEMBERS SERVING OUTSIDE THE UNITED STATES

A. Special provisions affecting 1990 income tax returns

54. The United States Internal Revenue Service grants taxpayers who are physically outside the United States on 15 April 1991 an automatic extension to 15 June 1991 for the filing of income tax returns for 1990, in recognition of the difficulties that such taxpayers may encounter in meeting the 15 April deadline. Although this extension is granted automatically upon certification by taxpayers that they were outside the United States on 15 April, interest at the rate of 11 per cent a year and a late payment penalty at the rate of one half of 1 per cent per month are charged on payments received after 15 April.

55. The United Nations proposes to take this extension into consideration by granting those staff members serving outside the United States on 15 April 1991 an additional month in which to submit their request for settlement. As indicated in paragraph 29, these staff members should submit a claim for tax reimbursement as soon as possible, but NOT LATER THAN 3 APRIL 1991. The United Nations will pay the interest and penalty accrued to either the date of payment or 15 June 1991, whichever is earlier.

56. An individual meeting either the bona fide residency test or the physical presence test (see para. 58) may elect to exclude, in taxable year 1990, foreign earned income attributable to the period of his or her residence in a foreign country at the annual rate of $70,000. The maximum annual exclusions are computed on a daily basis and, therefore, are reduced ratably for each day that a taxpayer is present in the United States during the tax year. Staff members eligible for the foreign earned income exclusion are required to utilize it.

57. In addition to the general exclusion described above, qualifying taxpayers also may elect to exclude an additional amount based upon foreign housing costs. Staff members are required to take the full housing cost exclusion permissible. The "housing cost amount" exclusion is equal to the excess of the taxpayer's

"housing expenses" over a "base housing amount", equal to 16 per cent of the salary of a United States Government employee at grade level GS-14, step 1 (as shown on Internal Revenue Service form 2555, "Foreign earned income") computed on a daily basis for the applicable time period.

58. The bona fide residence test is met where an individual establishes bona fide residency in a foreign country or countries for an uninterrupted period that includes a full tax year. Once bona fide residence is established, the exclusions for any partial tax year in which the period of residency began or ended should be applied. The physical presence test is met where a citizen or resident of the United States whose tax home is in a foreign country is present in a foreign country or countries for 330 days out of any consecutive 12-month period.

59. If a staff member qualifies for exclusion or special deduction from federal taxation of United Nations income earned abroad because of physical presence or bona fide residence in a foreign country or countries for federal income tax purposes, he or she may also be exempt from state and municipal income taxes with respect to such United Nations income.

60. A staff member whose assignment overseas during 1990 does not yet, but is likely to qualify him or her for exclusion or special deduction because of physical presence or bona fide residence in a foreign country or countries, should file an application for an extension of time for filing his or her 1990 United States income tax return until such date as he or she qualifies for exemption (IRS form 2350 may be used).

61. In order to claim the exclusion, IRS form 2555, "Foreign earned income", must be filed with a timely filed return (including any extensions), a return amending a timely filed return, or a late filed return (determined without regard to any extensions) filed within one year from the original due date of the return.

62. In the case of a staff member serving outside the United States, any entitlement to deductions or exclusions, including foreign housing costs as explained in paragraph 57, available under the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986, will be applied against the staff member's United Nations earnings to the extent that these deductions resulted from the period of his service abroad with the Organization.

B. Special provisions affecting 1991

63. Where a staff member governed by the above submits a request for cheques to pay 1991 estimated income taxes, such advances will be made based only on the United Nations income in excess of the expected exclusion or special deduction. If, for some reason, the staff member does not later qualify for the exclusion or special deduction, the United Nations will, in addition to reimbursing the tax actually due, pay any mandatory addition to the tax for underpayment of the estimated tax.

64. The Economic Recovery Tax Act of 1981 as amended by the Tax Reform Act of 1986 will, as indicated in paragraph 56, reduce or eliminate the tax liability for most United Nations staff members serving outside the United States. Therefore, no estimated tax payments for 1991 will be issued for staff members serving outside the United States whose gross earnings are less than $70,000. If a staff member believes that he or she will not qualify for this exclusion, this should be brought to the attention of the Payroll Unit at the time of filing his or her request for settlement of the 1990 income taxes. However, it should be noted that staff members would be exempt from making payments of estimated tax if either of the two conditions below apply:

(a) Total tax liability (including social security tax) is less than $500.00 for 1991, after credit for withheld taxes.

(b) There was no tax liability for the preceding tax year and he or she was a United States citizen or resident throughout such year. The latter rule does not apply, however, if the preceding tax year comprised less than 12 months.

C. Special provisions governing Social Security

65. As indicated in paragraph 50, United States citizens serving abroad (whether or not they fulfil either of the conditions specified in paragraph 58 above) do not have Social Security coverage, except as indicated below. However, to the extent that they spend any period of time in the United States, whether on duty or on leave, their earnings for such period are subject to the tax as indicated in paragraph 49 above, which will be partially refunded by the United Nations in accordance with paragraphs 52 and 53.

66. The earnings for such period should be calculated by multiplying the number of days spent in the United States (including the days of arrival and departure) by the daily rate of remuneration (calculated as a fraction of the then prevailing monthly rate), consisting of gross base salary, post adjustment and any allowances paid during the applicable period. The minimum amount of income that may be reported for Social Security purposes in any year is $400, and the maximum is the amount indicated in paragraph 52 above. (For every $520 of income reported in a year up to $2,080, credit is given for one quarter year of coverage, regardless of the dates to which this income actually relates; generally, a person needs credit for 40 quarters in order to secure permanent coverage. Social Security benefits are largely based on the average of earnings reported throughout the working life, including years for which, for any reason, no earnings are reported.)

VI. SPECIAL PROVISIONS RELATING TO STAFF MEMBERS WHO HAVE ALREADY SEPARATED FROM THE UNITED NATIONS OR WHO ARE EXPECTING TO SEPARATE FROM THE UNITED NATIONS IN 1991

67. Retired or retiring staff members should note that the partial (commutations of periodic benefits) and full (withdrawal settlement) lump-sum payments received from the United Nations Joint Staff Pension Fund are taxable; they may also be subject to tax reimbursement from the United Nations. Pursuant to General Assembly resolution 34/165, however, any staff member joining the United Nations Secretariat on or after 1 January 1980 is not entitled to receive reimbursement from the Tax Equalization Fund or from voluntary funds for national income taxes paid on partial or full lump-sum pension payments received from the United Nations Joint Staff Pension Fund.

68. Staff members should note that a special tax treatment applies to lump-sum distributions, detailed information about which may be obtained from the current edition of Internal Revenue Service publication 575, and from the "Guide to national taxation of UNJSPF benefits with special reference to United States taxes" (JSPB/G.11/Rev.6 of 23 June 1989).

69. The United Nations will attempt to provide information to staff members on the portions of full lump-sum payments which appear to be subject to capital gains treatment and ordinary income rates respectively. Nevertheless, as stated in paragraph 3 above, it is the staff member's personal responsibility to ascertain his or her tax liability. Staff members should be aware that under the Tax Reform Act of 1986 capital gains treatment of lump-sum distribution is gradually being phased out.

70. Retired or retiring staff members are responsible for 1991 estimated tax payments. It is necessary to include partial or full lump-sum payments to be received in 1991 from the Joint Staff Pension Fund in the calculation of the payments due for estimated tax. In this connection, it should be noted that payments received in 1991 are subject to the complex provisions relating to pensions of the Tax Reform Act of 1986. However, IRS has provided a simplified, "safe-harbor" method for calculating the taxable portion of annuity distributions from qualified plans. This method may be used in lieu of the more complex calculations described in the regulations. The United Nations is prepared to facilitate the payment of such estimated tax by issuing a cheque payable to the order of the staff member and the income tax authority in an amount sufficient to avoid penalty for underpayment of estimated tax, taking into account such lump-sum payments as well as other taxable separation payments. This will be a one-time payment and will cover the remaining instalments of the year.

71. In order to receive an adjusted estimated tax advance, a written request must be received by the Payroll Unit from the staff member, with evidence of the amount of the partial or full lump-sum payments received. A copy of the letter received from the Joint Staff Pension Fund which accompanies such payments will be sufficient for this purpose. The final tax reimbursement for 1991 will be

determined upon receipt of a duly signed, true copy of the income tax return submitted in the following year with the request for settlement (F.65) and United Nations form F.243.

72. Staff members who anticipate leaving the Organization shortly after the receipt of cheques to pay the first, second or third instalment of estimated income taxes for 1991 should consult the Payroll Unit before forwarding the cheques to the appropriate tax authorities. As part of the terminal pay process, a separate calculation is made of the amount of estimated tax due on the staff member's taxable United Nations earnings. If this results in an amount less than the quarterly advances already received, the excess will be deducted from the staff member's final pay. In order to avoid this deduction, consultation with the Payroll Unit is recommended.

VII. SELECTED EXCERPTS FROM 1990 INCOME TAX INSTRUCTIONS FOR UNITED STATES FEDERAL, NEW YORK STATE AND NEW YORK CITY INCOME TAX

A. Introduction

73. The following excerpts from the various tax authorities' instructions are included in the present circular as an aid to staff members. THE EXCERPTS ARE NOT EXHAUSTIVE AND DO NOT REPLACE THE INCOME TAX INSTRUCTIONS PUBLISHED BY THE INCOME TAX AUTHORITIES. Staff members are reminded to read carefully the tax instructions distributed by the various federal and state tax authorities.

B. Federal income tax

74. The United States federal income tax returns for 1990 are due to be filed not later than 15 April 1991 with the Internal Revenue Service Centre for the district in which the estimated tax for 1990 was paid. Any balance of income tax due must also be paid in full with the return.

75. For tax year 1990, the number of individual tax rates remains at three: 15 per cent, 28 per cent and 33 per cent on all taxable income.

(a) The personal exemption has been increased from $2,000 in 1989 to $2,050 in 1990, subject to the phase-out provisions at certain levels of income.

(b) The standard deduction has been increased. For 1990, the standard deduction is $3,250 for single individuals; $4,750 for heads of households; $5,450 for married individuals filing joint returns and for surviving spouses; $2,725 for married individuals filing separate returns. Hence, taxpayers should compare the standard deduction with the itemized deduction (see below) on the tax return and deduct the larger amount.

76. As indicated in paragraph 8, staff members are required to utilize all exemptions and deductions to which they are entitled, as they certified in form F.65, "Request for settlement of income taxes", and to itemize deductions if

these would exceed the standard deduction allowable. The instructions to IRS form 1040 list examples of the itemizable deductions allowed. The most common itemizable deduction is the state and local income taxes. Available state and local deductions for the tax year should normally be computed as follows:

1989 fourth quarter tax advance, plus	
1989 balance due on tax return, plus	
1990 first, second and third quarter tax advances	_____
Total state and local taxes paid in 1990	_____

In addition to these, staff members should include any other deductions to which they may be entitled (e.g., real estate taxes, interest on mortgage and other debts, charitable contributions, etc., subject to the threshold limitations imposed under the Tax Reform Act of 1986).

C. New York State and New York City income taxes

77. The New York City tax is being collected by New York State. The New York State/New York City returns should be filed on or before 15 April 1991 with payment of any balance of income tax due.

78. The four New York State/New York City forms are:

(a) Short form IT-200, for use only by a full-year resident whose income is solely from compensation as an employee and/or investments and is less than $65,000. Taxpayers who have paid an estimated tax may not use IT-200; consequently, this form is not normally usable by staff members. The Tax Reform Act of New York State has introduced additional factors relating to the eligibility requirements. Staff members are advised to refer to the instruction booklet for details on the use of form IT-200;

(b) Resident form IT-201, to be used by all New York State resident taxpayers with any kind of income, either claiming specific deductions or electing to take the standard deduction;

(c) Non-resident form IT-203, to be used by those who are not residents of New York State;

(d) Non-resident form NYC-203, which must be filed with the State return, to be used by those who are not residents of New York City;

(e) If a taxpayer changed his or her resident status during the year, he or she would no longer have to file multiple forms. Instead, they can use the non-resident return (form IT-203) for the taxable year.

79. Taxpayers who file joint federal tax returns are now required to file joint State and City tax returns except when husband and wife live in different States. Married taxpayers who file separate Federal returns are only allowed to file separate New York State returns, as before.

80. The Tax Reform and Tax Reduction Act of 1987 for New York State and City has resulted in many changes to New York State and City taxes. The changes applicable to tax year 1990 are as follows:

(a) The maximum tax rate for 1990 remains at 7.875 per cent for New York State and is 3.91 per cent for New York City with the tax surcharge. Tax tables are provided in lieu of the tax rate schedules for individuals with taxable income of less than $65,000;

(b) The standard deduction remains as follows:

	$
Married filing jointly or surviving spouse	9 500
Married filing separately	4 750
Head of household	7 000
Single	6 000

(c) The personal exemption will remain at $1,000 in 1990 for each dependant that you claim. For 1990, personal exemptions are NOT allowed for yourself and, if married, your spouse;

(d) Taxpayers with income over $100,000 will have to reduce their itemized deductions by a percentage;

(e) Non-residents are no longer required to apply the limitation percentage to itemized deductions and personal exemptions. Non-residents must now figure their personal income tax and additional tax on unearned income as if they were New York State residents and then prorate the taxes based on the ratio of federal adjusted gross income from New York State sources to total federal adjusted gross income.

/...

UNITED NATIONS

REQUEST FOR SETTLEMENT OF INCOME TAXES

To: PAYROLL UNIT, Room S-1830, Office of Programme Planning, Budget and Finance, HQs.

From: _____ Index No. _____ Former Name, if changed: _____

Mailing address: _____ If terminated, effective date: _____

_____ Social Security No.: _____

UN Department: _____ Division or Office: _____ Room No. _____ Tel. Ext. _____

PART A – REQUEST FOR SETTLEMENT OF INCOME TAXES 1990 *(Place checkmark in box, as applicable)*

1. [ ] I certify that the signed copy of my income tax return for 1990 which is attached hereto is a true, correct, and complete copy of my final return, correctly reflects my U.S. income tax liability for 1990 and is the basis on which settlement for 1990 is requested.

   [ ] U.S. Federal tax
   [ ] N.Y. State tax
   [ ] N.Y. City tax
   [ ] Other (State)(City)*

   * **If request for settlement is for other than New York State or New York City, tax rates and instructions must be enclosed.**

2. [ ] I certify that I am entitled to the difference between the amount of the Social Security tax I am required to pay as a United Nations employee and the amount I would have to pay as an employee of a taxable employer and attach hereto a copy of Schedule SE.

3. [ ] I have received the following cheques to pay estimated taxes for 1990:
   TOTALS ONLY: Federal .. $_____ **State .. $**_____ **City .. $**_____

4. [ ] I have been a US citizen since 1 January 1990 or earlier. If later, since _____ or I have signed the waiver of immunities on _____.

5. [ ] I have **NOT** changed to a G-4 or other type of visa status.

6. [ ] I have received dependency allowance for children or for a relative, and have not claimed the children or relative as dependants for income tax purposes in 1990. The reasons for not claiming them are given in the attached memorandum.

In consideration of the payment of any such amounts, I certify and undertake:

a) that any cheques received from the United Nations in response to my requests for tax advances or reimbursements have been or will be used promptly and solely to meet my income tax obligations;

b) that I will provide the United Nations, upon request, with acceptable proof of taxes paid, or other documents or information as may be required to verify the computation of my taxes;

c) that I will notify the United Nations promptly of any amended returns subsequently filed or any change in my tax liability which might require adjustment of the tax payments received in any year;

d) that I will notify the United Nations promptly if for any reason it is necessary for me to file a return which is different from the return I have herewith submitted and furnish a copy of the new return to the United Nations;

e) that I will refund to the United Nations any over-payment of tax, together with any interest received as a result of any such over-payment.

I further certify that I have minimized my income tax for the year 1990, have filed joint returns when such would result in lower taxes, and have utilized all exemptions and deductions to which I am entitled, including the itemizing of deductions if they would exceed the standard deduction allowable.

I further certify that the settlements which I have received from the United Nations for the purpose of meeting income tax liabilities of previous years have been paid by me to the appropriate tax authorities and that no part of such money has been refunded to me by the income tax authorities which I have not refunded to the United Nations.

CERTIFIED TRUE.

Date: _____ Signature: _____

(over)

F.65 (1-91)

UNITED NATIONS

PART B

EARNINGS OF SPOUSE

In order to calculate the settlement of your 1990 New York State income taxes, it is necessary to know the components of your spouse's 1990 adjusted gross income. Accordingly, please complete the following:

EARNINGS OF SPOUSE

Wages, Salaries, etc.	$ _____
Dividends, after exclusion	$ _____
Interest	$ _____
Other Income	$ _____
Adjustments to Income	$ _____
TOTAL	_____
Total number of exemptions claimed by spouse (if filing separately)	_____

TO BE COMPLETED BY ALL STAFF MEMBERS:

Does your spouse have UN income subject to tax reimbursements? YES [ ] NO [ ]

If "YES", give name and index no.: _____

REQUEST FOR CHEQUES TO PAY 1991 ESTIMATED INCOME TAXES

1. I request cheques to pay the following estimated taxes for 1991:

   [ ] **Federal** [ ] **State and City** [ ] **Social Security/Self Employment**

2. Tax exemptions to be claimed in 1991:

   [ ] **Self** [ ] **Spouse** [ ] **Number of other dependants**

   Total exemptions ..... _____

3. Will you itemize deductions in 1991? If 'YES', how much? Federal $ _____

   [ ] YES [ ] NO State $ _____

4. Estimated taxable income of spouse in 1991: ..... $ _____

5. My estimated outside income in 1991 is ..... $ _____

6. I have been living in New York State since 1 January 1991 or earlier: YES [ ] NO [ ]

7. I have been living in New York City since 1 January 1991 or earlier: YES [ ] NO [ ]

8. These cheques will be used by me solely for the purpose of paying estimated **United States Federal, State and City Income Taxes.**

CERTIFIED TRUE.

Date: _____ Signature: _____

CONSENT FOR THE INTERNAL REVENUE SERVICE TO DISCLOSE TAX RETURN INFORMATION TO THE UNITED NATIONS

Information contained in United States federal income tax returns is confidential and, except as authorized by the Internal Revenue Code, may not be disclosed to any person. Taxpayers may authorize the Internal Revenue Service to release this confidential tax return information to persons otherwise not entitled to receive such information.

The purpose of this consent is to authorize the Internal Revenue Service to disclose certain confidential tax information to the United Nations to assist the United Nations in verifying the United States income taxes you paid on your earnings from the United Nations. The United Nations will use this information in connection with its programme of reimbursing income taxes paid on United Nations emoluments, pursuant to staff regulation 3.3(f). The Internal Revenue Service has no involvement in such verification aside from processing any consents received from taxpayers and disclosing information in accordance with the terms of such consents. The United Nations will pay the fees incurred in processing the present consent.

You may revoke the present consent by writing to the Internal Revenue Service at:

Internal Revenue Service
1111 Constitution Ave., N.W.
Washington, D.C. 20224
Attn: Chief, Operations Branch
Disclosure and Security Division
Room 1603

within 75 days of the date you sign this consent. No consent will be honoured by the Internal Revenue Service if a written revocation is received at the designated address prior to a disclosure being made.

CONSENT BY STAFF MEMBER

I, _____ (NAME OF STAFF MEMBER), _____ (INDEX NUMBER), hereby authorize the Internal Revenue Service to disclose to the United Nations the "total tax" indicated on my Federal income tax return(s) for 1990/1989/1988/1987 (YEAR(S)/PERIOD(S)) (as that information may be revised or amended from time to time) which was/were filed under the name(s) of _____

at _____ (ADDRESS AS SHOWN ON THE RETURN(S))

showing my Social Security Number _____ and that of my spouse _____.

If I revoke this consent, I authorize the Internal Revenue Service to disclose a copy of my revocation, or the fact that I revoked, to the United Nations.

I request the Internal Revenue Service to send the above information to:

Chief, Payroll Unit
Office for Programme Planning, Budget and Finance, Room S-1830
United Nations
New York, N.Y. 10017

Signature*: _____ **Date:** _____

* Even if the tax return is a joint one, this form need only be signed by the staff member concerned.

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